



# CRS Report for Congress

## Kazakhstan: Recent Developments and U.S. Interests

Jim Nichol

Specialist in Russian and Eurasian Affairs  
Foreign Affairs, Defense, and Trade Division

### Summary

Kazakhstan is an important power in Central Asia by virtue of its geographic location, large territory, ample natural resources, and economic growth, but it faces ethnic, political, and other challenges to stability. This report discusses U.S. policy and assistance. Basic facts and biographical data are provided. This report may be updated. Related products include CRS Report RL33458, *Central Asia: Regional Developments and Implications for U.S. Interests*.

### U.S. Policy

According to the Administration, U.S. assistance promotes the creation of a democratic government that will use the country's natural resources to foster sustained economic growth and widespread prosperity. The United States seeks to "build upon an already productive relationship" with Kazakhstan to help it continue its regional leadership in combating extremism, weapons of mass destruction proliferation, illegal narcotics, and trafficking in persons.<sup>1</sup>



Source: Map Resources. Adapted by CRS.

During President Nazarbayev's 1994 U.S. visit, he and then-President Clinton signed a Charter on Democratic Partnership, which recognized Kazakhstan's commitments to the rule of law, respect for human rights, and economic reform. During his December 2001 and September 2006 visits, Nazarbayev repeated these pledges in joint statements with President Bush. In the 2006 statement, the United States and Kazakhstan hailed progress in "advancing our strategic partnership." The two presidents called for "deepen[ing] our

<sup>1</sup> U.S. Department of State. *Congressional Budget Presentation for Foreign Operations*, FY2009.

## Report Documentation Page

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cooperation in fighting international terrorism and the proliferation of WMD ... strengthen[ing] our cooperation to enhance regional security and economic integration ... expand[ing] our joint activities to ensure the development of energy resources ... supporting economic diversification and reform ... [and] accelerating Kazakhstan's efforts to strengthen representative institutions."

In a speech on U.S.-Kazakh relations in August 2006, Deputy Assistant Secretary of State Evan Feigenbaum stated that the United States "firmly supports" Kazakhstan's efforts "to join the world's fifty most competitive countries over the next decade [and] to create a modern, democratic society."<sup>2</sup>

Cumulative U.S. aid budgeted for Kazakhstan in fiscal years 1992 through 2006 was \$1.33 billion (FREEDOM Support Act and agency funds), with Kazakhstan ranking fifth in aid among the twelve Soviet successor states. Budgeted aid for FY2007 was \$146.3 million (FREEDOM Support Act and agency funds). Estimated foreign assistance was \$25.2 million in FY2008, and the Administration has requested \$21.9 million for FY2009 (FREEDOM Support Act and other foreign aid, including the Peace Corps, and excluding Defense and Energy Department funds). U.S. assistance emphasizes small business development, improved macroeconomic and fiscal policy-making, and linkages between energy markets in Central and South Asia. These economic development programs will receive 50% of their funding through cost-sharing with Kazakhstan. A second U.S. aid emphasis is on supporting Kazakhstan's stabilization efforts in Iraq, the interoperability of Kazakhstan's military with U.S. and NATO forces, and the destruction of excess military stockpiles.

Among congressional actions, Omnibus Appropriations for FY2003 (P.L. 108-7) forbade assistance to the government of Kazakhstan unless the Secretary of State determined and reported that Kazakhstan had significantly improved its human rights record during the preceding six-month period. The Secretary could, however, waive this prohibition on national security grounds. This language has been continued in yearly appropriations acts. The Secretary reported in FY2003 and FY2004 that Kazakhstan had made such progress, eliciting some criticism of these findings from Congress. In FY2005 and thereafter, Secretary of State Condoleezza Rice (or her designee) has reported to Congress that Kazakhstan has failed to significantly improve its human rights record, but that aid restrictions have been waived on national security grounds.

#### Kazakhstan: Basic Facts

**Area and Population:** Land area is 1,049,200 sq. mi.; about four times the size of Texas. The population is 15.3 million (*The World Factbook*, mid-2008 est.).

**Ethnicity:** 53.4% are Kazakh and 30% are Russian (*1999 Kazakh census*). Other ethnic groups include Uzbeks, Tatars, Uighurs, and Germans.

**Gross Domestic Product:** \$167.6 billion; per capita GDP is about \$11,100 (*The World Factbook*, 2007 est., purchasing power parity).

**Political Leaders:** *President:* Nursultan Nazarbayev; *Chair of the Majilis:* Oral Mukhamed-zhanov; *Chair of the Senate:* Kasymzhomart Tokayev; *Prime Minister:* Karim Masimov; *Foreign Minister:* Marat Tazhin; *Defense Minister:* Danial Akhmetov.

**Biography:** Nazarbayev, born in 1940, moved up through the ranks of the Kazakh Communist Party (KCP), becoming its head in 1989. He also was appointed president by the legislature in 1990. He resigned from the KCP in 1991 and won an unopposed popular election as president in December 1991. A 1995 referendum extended his rule. He was reelected in 1999 and 2005. In 2000, legislation granted him some official powers for life, and in 2007 he was exempted from term limits.

<sup>2</sup> U.S. Department of State. *Kazakhstan and the United States in a Changed World*, Aug. 23, 2006. The White House. Office of the Press Secretary. *Joint Statement*, Sept. 29, 2006.

## Contributions to the Campaign Against Terrorism

In June 2001, Nazarbayev had warned that Taliban actions in Afghanistan increasingly threatened regional security, and after September 11 he offered overflight rights and the use of airbases to the U.S.-led coalition, but did not offer troops. Kazakhstan also facilitated the transshipment of supplies to U.S. bases in Uzbekistan and Kyrgyzstan. A U.S.-Kazakh memorandum of understanding was signed in July 2002 that permitted U.S. military aircraft to use Kazakhstan's Almaty airport for emergency military landings. In September 2003, a five-year military cooperation agreement was signed to combat terrorism, develop peacekeeping forces, bolster air defense capabilities, and enhance security in the Caspian Sea. In April 2008, Kazakhstan agreed that it would facilitate rail shipments of nonlethal supplies to support the operations of NATO's International Security Assistance Force in Afghanistan.

Kazakhstan's then-Foreign Minister Kasymzhomart Tokayev on March 28, 2003, voiced general support for disarming Iraq. Tokayev later explained that Kazakhstan had decided to support the coalition because it feared that Saddam Hussein was building WMD. Reportedly responding to a U.S. appeal, the Kazakh legislature in May 2003 approved sending military engineers to Iraq. The 27 troops are training Iraqis in demining and water purification.

Kazakhstan long argued that there were few terrorists within the country but this stance began to change in late 2003 with the establishment of an Anti-Terrorist Center as part of the National Security Committee. Shocking many Kazakhs, it reported the apprehension in late 2004 of over a dozen members of the obscure Islamic Jihad Group of Uzbekistan (reportedly an alias of the Islamic Movement of Uzbekistan). It alleged that the group had ties to Al Qaeda; had cells in Kyrgyzstan, Uzbekistan, and Russia; and had been involved in attacks in Uzbekistan. In mid-2006, authorities detained 15-30 members the banned Hizb ut-Tahrir group. In April 2007, sixteen alleged terrorists were arrested on charges of planning attacks against security and police forces.

## Foreign Policy and Defense

Nazarbayev has stated that the geographic location of Kazakhstan and its ethnic makeup dictate its "multipolar orientation toward both West and East." He has pursued close ties with Turkey, trade links with Iran, and better relations with China, which many Kazakhs have traditionally viewed as a security threat. There are over one million ethnic Kazakhs in China, and 300,000 ethnic Uighurs of China residing in Kazakhstan, who have complicated relations between the two states. While seeking to protect Kazakh independence, Nazarbayev has pursued close relations with Russia and other Commonwealth of Independent States (CIS) members for economic and security reasons. In 1998, Kazakhstan and Russia signed a friendship treaty, in 1998 and 2002 they signed accords settling Caspian seabed resource claims, and in 2005 they signed a border delineation agreement. In late 2005, the Central Asian Cooperation Organization merged with the Eurasian Economic Community (Eurasec; Russia and Kazakhstan belonged to both). Eurasec members Russia, Belarus, and Kazakhstan plan to launch a customs union in 2010. In April 2008, visiting Kyrgyz President Kurmanbek Bakiyev endorsed Nazarbayev's proposal for a new economic union of Central Asian states, but visiting Uzbek President Islam Karimov rejected it, saying it had already been tried.

Kazakhstan still relies heavily on Russia for military training and equipment, but has expanded defense cooperation with other states. About 49,000 Kazakh troops serve in the ground force, air force, and navy. There are about 9,000 border guards, about 20,000 Internal Security (police) troops, and 2,500 presidential and government guards (*The Military Balance*, February 2008). In 1999, Kazakhstan reaffirmed a CIS Collective Security Treaty (CST) pledging the parties to provide military assistance in case of aggression against any one of them. Kazakhstan is also a member of the Shanghai Cooperation Organization (SCO), composed of Russia, China, and the Central Asian states (except Turkmenistan), which aims to combat terrorism and facilitate trade ties. In 1994, Kazakhstan joined NATO's Partnership for Peace (PFP) and regularly takes part in PFP exercises, but states that it does not aim to join the Alliance. Military reforms included naming a civilian defense minister in January 2007. A new military doctrine adopted in March 2007 calls for creating volunteer armed forces.

After the Soviet breakup, Kazakhstan was on paper a major nuclear weapons power (in reality Russia controlled these weapons). All bombers and their air-launched cruise missiles were removed to Russia by late February 1994. On April 21, 1995, the last of about 1,040 nuclear warheads had been removed from the SS-18 missiles and transferred to Russia, and Kazakhstan announced that it was nuclear weapons-free. U.S. Comprehensive Threat Reduction assistance was used for these efforts, and for subsequent control and elimination of nuclear materials and former chemical and biological warfare facilities. The U.S. Nuclear Risk Reduction Center works with Kazakhstan to facilitate verification and compliance with arms control and security agreements to enhance peace and prevent the proliferation of WMD.

## Political and Economic Developments

Kazakhstan's moves toward democracy have been halting. The 1995 constitution establishes strong presidential power. As further fleshed out by a presidential edict, the legislature does not control the budget, cannot initiate constitutional changes, or exercise oversight over the executive branch. Most bills are initiated by the president, and if the legislature fails within 30 days to pass one of his "urgent" bills, he may issue it by decree. The bicameral legislature consists of a popularly-elected lower chamber, the Majilis, and an upper chamber, the Senate, whose members are indirectly elected by regional assemblies or by the president. An extra-constitutional People's Assembly composed of cultural and ethnic leaders serves as a presidential propaganda forum.

On December 4, 2005, President Nazarbayev was reelected with 91.1% of 6.74 million votes cast in a five-man race. Many observers credited economic growth in the country and increases in pensions and state wages as bolstering Nazarbayev's popularity. He campaigned widely and pledged democratic reforms and poverty relief. Five pro-government parties formed a People's Coalition to back him. Many oppositionists supported a Movement for a Just Kazakhstan, which backed Zharmakhan Tuyakbay, the head of the Social Democratic Party. Another candidate, Alikhan Baymenov, had been nominated by the "moderate opposition" Ak Zhol Party. Observers from the Organization for Security and Cooperation in Europe (OSCE) and others assessed the election as progressive but still falling short of a free and fair race.

The legislature approved constitutional changes in May 2007 that President Nazarbayev claimed would increase legislative power and boost democratization. The

changes included increasing the number of deputies in both legislative chambers, decreasing the president's term in office from seven to five years, and requiring a court order in case of detention or arrest. Seemingly non-reformist changes included a requirement for a two-thirds vote in each legislative chamber to override presidential alterations to approved bills, a provision that nine deputies of the Majilis (the lower legislative chamber) are appointed by the People's Assembly (a group of prominent citizens headed by Nazarbayev), and a change "initiated" by the legislature excluding Nazarbayev from term limits. Visiting U.S. Assistant Secretary of State Richard Boucher stated in June 2007 that "these constitutional amendments go in the right direction.... [and] point the way to a stable, democratic system."<sup>3</sup>

An early Majilis election was called for August 18, 2007. As per constitutional amendments and election law changes, the size of the chamber was increased to 107 members. Ninety-eight members were to be elected by party lists and nine by the People's Assembly headed by the president. Seven parties were registered for the election, six of which were pro-government and one of which was an opposition party. The ruling party, Nur-Otan (Fatherland's Ray of Light), reportedly received 88.05% of 8.87 million votes cast and won all 98 seats. The other parties were unable to clear a 7% threshold needed to win seats. Observers from the OSCE praised some positive aspects of the vote, but judged it as falling short of a free and fair race.<sup>4</sup>

Although Kazakhstan lobbied extensively for holding the presidency of the OSCE in 2009, the 15<sup>th</sup> Ministerial Meeting of the OSCE at the end of November 2007 decided that Greece would hold the OSCE presidency in 2009, followed in 2010 by Kazakhstan. Deputy Assistant Secretary of State Evan Feigenbaum in December 2007 stressed that Kazakhstan at the Ministerial Meeting had pledged to implement various democratic reforms by the end of 2008.

In its *Country Reports on Human Rights Practices for 2007* (released March 2008) the U.S. State Department did not report whether or not the Kazakh government's human rights record had improved during the year, but did identify ongoing problems. These included detainee and prisoner torture and other abuse; arbitrary arrest and detention; lack of an independent judiciary; restrictions on freedom of speech, the press, assembly, and association; pervasive corruption; prohibitive political party registration requirements; and human trafficking. The vast majority of media appear to be owned or controlled by the state, and the government otherwise uses restrictive laws, licensing regulations, harassment, and other means to control media and limit freedom of expression. Any group of ten or more persons wishing to form an organization must register or face prosecution. Among other requirements, a prospective political party must gather 50,000 signatures to register, and a single mistake renders the application invalid.

Kazakhstan is the most economically developed of the former Soviet Central Asian republics. According to *The World Factbook*, GDP grew about 8.5% in 2007, led by growing oil exports, and inflation was 10.8%. Up to one-third of GDP is generated by the

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<sup>3</sup> U.S. Embassy, Astana, Kazakhstan. *Interview by ... Richard A. Boucher with Aybek Aldabergenov of Era TV*, June 6, 2007.

<sup>4</sup> OSCE. ODIHR. *Republic of Kazakhstan Parliamentary Elections, 18 August 2007: Election Observation Mission Report*, October 30, 2007.

oil and gas sector. Kazakhstan is the sixth largest producer of wheat in the world and a major exporter. Up to one-fifth of the population lives below the poverty level. In January 2006, Nazarbayev launched economic reforms he claimed would bring Kazakhstan into the ranks of the top fifty developed countries by 2012. He called for finalizing efforts to join the World Trade Organization, revamping tax and budgetary policies, and developing export-oriented firms to reduce over-dependence on the energy sector as the engine of GDP growth. However, the government also has boosted taxes and made other moves that discourage foreign investment. The International Monetary Fund (IMF) has estimated that GDP growth will slow to about 5% in 2008, as banks tighten their lending practices.<sup>5</sup>

**Energy.** Second to Russia, Kazakhstan has the largest oil and gas reserves of the Caspian Sea regional states, holding promise of large export revenues. The U.S. Energy Department in February 2008 estimated that there were 9 billion to 40 billion barrels of proven oil reserves (comparable to Algeria on the low end and Libya on the high end). It also reported estimates of 100 trillion cubic feet (tcf) of proven gas reserves (comparable to Turkmenistan). Kazakhstan's oil exports currently are about 1.2 million barrels per day (bpd). The Kazakh government plans for production to reach 3.5 million bpd by 2015. Kazakhstan expects to be a net gas exporter in 2008. U.S. foreign direct investment (FDI) plays a dominant role in the development of Kazakhstani oil and gas resources, and amounted to about \$12.6 billion in Kazakhstan (27% of all FDI in the country) as of 2006. Some U.S. energy firms and other private foreign investors have become discouraged in recent months by harsher Kazakh government terms, taxes, and fines that some allege reflect corruption within the ruling elite.

Russia seeks maximum influence over Kazakhstan's energy resources by providing the primary pipeline export routes and by becoming involved in production. Russian shareholders have a controlling interest, 44%, in the Caspian pipeline consortium (CPC), which built a 980-mile oil pipeline from Kazakhstan to Russia's Black Sea port of Novorossiysk that carried 690,000 bpd of oil in 2007. Kazakhstan also currently transports about 100,000 bpd by rail and barge to Baku. Kazakhstan agreed with Azerbaijan in 2006 that it will boost these shipments to help fill an oil pipeline from Azerbaijan to Turkey, which will reduce Kazakhstan's dependence on routes through Russia. This dependence also has been lessened somewhat by construction of a 597-mile oil pipeline from Atasu in central Kazakhstan to the Xinjiang region of China. Kazakhstan began delivering oil through the pipeline in May 2006. Initial capacity is 146.6 million barrels per year. At Atasu, it links to another pipeline from the town of Kumkol, also in central Kazakhstan. On Kazakhstan's Caspian Sea border, China has finished construction of an oil pipeline from the port city of Atyrau eastward to the town of Kerkiyak. The last section of the route from the Caspian Sea to China, a link between the towns of Kerkiyak and Kumkol, began to be built in late 2007 and is expected to be completed in 2009.

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<sup>5</sup> IMF. *Republic of Kazakhstan, 2008 Article IV Consultation: Preliminary Conclusions of the IMF Mission*, April 30, 2008.